

# HOUSE BILL REPORT

## SHB 1776

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### As Amended by the Senate

**Title:** An act relating to school district levies.

**Brief Description:** Changing school levy provisions.

**Sponsors:** House Committee on Education Appropriations (originally sponsored by Representatives Ericks, Haigh, Priest, Hunter, Lias, Sullivan, Pedersen, Maxwell, White and Kenney).

### Brief History:

#### Committee Activity:

Education Appropriations: 2/11/09, 2/19/09 [DPS];  
Ways & Means: 3/2/09 [DPS(APPE)].

#### Floor Activity:

Passed House: 3/10/09, 88-8.  
Senate Amended.  
Passed Senate: 4/16/09, 37-10.  
Senate Amended.  
Passed Senate: 4/25/09, 29-14.

### Brief Summary of Substitute Bill

- Specifies that the Initiative 728 and Initiative 732 funding levels are included in the levy base as approved by the voters if each were fully implemented by the Legislature in previous and subsequent years.
- Allows districts to return to voters for additional levy authority in the middle of a levy period if the levy base is expanded by state or federal legislation.

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### HOUSE COMMITTEE ON EDUCATION APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Haigh, Chair; Sullivan, Vice Chair; Priest, Ranking Minority Member; Anderson, Carlyle, Cox, Haler, Hunter, Kagi, Probst, Quall, Rolfes and Wallace.

**Staff:** Wendy Polzin (786-7137)

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

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## HOUSE COMMITTEE ON WAYS & MEANS

**Majority Report:** The substitute bill by Committee on Education Appropriations be substituted therefor and the substitute bill do pass. Signed by 22 members: Representatives Linville, Chair; Ericks, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Cody, Conway, Darneille, Haigh, Hinkle, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew, Priest, Ross, Schmick, Seaquist and Sullivan.

**Staff:** Wendy Polzin (786-7137)

### **Background:**

#### Levy Authority.

In 1977 when the state assumed additional responsibility for funding schools, the Legislature limited school district maintenance and operation levy authority by enacting the levy lid law. This law determines the maximum amounts school districts can collect through local maintenance and operation levies. The original 1977 law, which took effect in 1979, sought to limit levy revenue to 10 percent of a school district's state basic education allocation. It also contained a grandfather clause which permitted districts that historically relied heavily on excess levies to exceed the 10 percent limit.

Under current law, most districts may raise 24 percent of the district's levy base. There are 91 school districts that are grandfathered at higher percentages that range from 24.01 percent to 33.9 percent.

A district's levy base includes most state and federal revenues received by the district in the prior school year.

Currently, when voters pass a levy for support of a school district, no further tax levies for maintenance and operation may be authorized for the levy period. A maintenance and operations levy may last for up to four years.

#### I-728 and I-732 Funds.

Initiative 728 (I-728), adopted in November 2000, dedicated lottery proceeds and a portion of the state property tax for educational purposes by transferring revenues to the Student Achievement Fund and the Education Construction Account. Student Achievement Funds may be used for: hiring more teachers to reduce class sizes and making necessary capital improvements; creating extended learning opportunities for students; providing professional development for educators; and providing early childhood programs.

Initiative 732 (I-732), adopted in November 2000, provided an annual cost-of-living adjustment would be granted to K-12 teachers and other school employees. As amended in 2003, it requires the state to allocate to districts a cost-of-living adjustment for school district employees in the state funded salary base.

## Salary Allocation Schedule.

In the biennial budget, the Legislative Evaluation and Accountability Program Document 12E is referenced, and reflects the allocations of state funds for salaries. This document does not reflect actual salaries; salaries are set by the district.

### **Summary of Substitute Bill:**

The bill specifies that I-728 and I-732 funding levels are included in the levy base as approved by the voters if each were fully implemented by the Legislature in previous and subsequent years. The bill also allows districts to return to voters for additional levy authority in the middle of a levy period if the levy base is expanded by enacted legislation.

### **EFFECT OF SENATE AMENDMENT(S):**

Provides authority for: local effort assistance (LEA) payments to school districts to be reduced in the 2009-11 biennium; the levy lid to be increased by 4 percent, not to exceed 35 percent; the delay, rather than elimination, of the sunset clause allowing I-728 and I-732, as passed by voters, to be counted in the levy base; districts to return to voters for additional levies to provide for subsequently enacted increases affecting the district's levy base or maximum levy percentage. Also makes a technical correction to update an RCW amended early in session by Engrossed Substitute House Bill 1694.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

### **Staff Summary of Public Testimony (Education Appropriations):**

(In support) This bill will be beneficial to school districts. With the current budget situation, any changes in the funding to districts will have a large impact. Testimony is supportive of continuing calculation of full implementation of I-728 and I-732 in the levy base. One part that causes concern is allowing salary equalization to be counted in the levy base. Up to 70 districts could benefit from this legislation. Not passing this bill and removing the sunset clause on I-728 and I-732 would have a negative impact on districts.

(With concerns) Concerns were expressed over allowing salary equalization to be counted in the levy base.

(Opposed) None.

### **Staff Summary of Public Testimony (Ways & Means):**

(In support) There are approximately 80 districts that would benefit from this legislation. The bill removes the sunset provisions that are set to take effect in December 2011. There is

no fiscal impact in the 2009-11 biennium for this bill. There is support for an amendment to remove the fiscal impacts in future biennia. If such an amendment were adopted, in a better budget year the I-728 and I-732 dollars could be reinstated in Local Effort Assistance calculations. This legislation would allow districts to better cope with the major cuts they are facing in the state budget. This legislation is a lifeline for many districts and would allow them the flexibility they need. An example is the Evergreen School District; they have based their levy collections on existing law. Without this legislation, they will need to absorb cuts from both the state and from reduced levy dollars.

(Opposed) None.

**Persons Testifying** (Education Appropriations): (In support) Representative Ericks, prime sponsor; Marcia Fromhold, Evergreen Public Schools; Jennifer Priddy, Office of Superintendent of Public Instruction; George Scarola, League of Education Voters; Charlie Brown, School Levy Coalition; and Barbara Posthumus, Lake Washington School District.

(With concerns) Dan Steele, Washington State School Directors' Association; and Barbara Mertens, Washington Association of School Administrators.

**Persons Testifying** (Ways & Means): (In support) Lisa Macfarlane, League of Education Voters; Charlie Brown, School Levy Coalition; and Marcia Fromhold, Evergreen School District.

**Persons Signed In To Testify But Not Testifying** (Education Appropriations): None.

**Persons Signed In To Testify But Not Testifying** (Ways & Means): None.